

- My name is Janette Davis and I live and work in Florida.
- I strongly support the Federal Reserve Board's desire to protect the consumer. However, the Federal Reserve should reexamine the use of Regulation Z as it is designed as it does not truly provide the consumer with an adequate basis for determining the best loan. This figure is easily manipulated by those lenders and brokers who provide affiliate services as they are able to increase the cost of the Non- APR triggers and reduce the cost of the items that trigger the APR. In addition most consumers do not understand the Truth in Lending Disclosure as it is confusing to them no matter how many times you explain it. The forms should be simplified to reflect information that most consumers can understand and need to make an informed decision. APR reflects the loan being paid off over 30 years yet most consumers only maintain their mortgage from 3 1/2 to 7 years, therefore it distorts what the true cost of the loan is to the consumer and as a result they may not always make the best choice.

I disagree with your proposal to restrict compensation only for mortgage brokers. I was a banker at the executive level who spent twenty years in banking in South Florida and now operates my own small business so I understand the issue from both sides. I have a license to operate as a lender, however, due to funding, I broker most of my transactions.

- Please note that not all brokers in the business are in it for the purpose of charging higher fees and ripping off clients. In addition, most lenders restrict the fees that a broker can earn. I provide all the services necessary for my clients to obtain a loan from pre-application to the date of closing and even after closing as there are times my clients will receive information from their lender and they will call us to get an explanation. I take an application from my client, provide all the necessary disclosures, pre-qualify my client, obtain all the pertinent documents for approval, do all the verifications, obtain all approval conditions and obtain all the necessary endorsements that are required for closing the loan. My lender serves as the underwriter of the loan as all the other functions are performed by my office. Lenders and brokers should both provide notice as an intermediary between borrowers, lenders and investors, and the value the broker adds in the real estate transaction by serving all parties, but representing none.
- Mortgage brokers and lenders should compete on a level playing field.
- All disclosures must apply equally to all mortgage originators, not just brokers. While only brokers have been blamed for everything, a lot of the abuses that were carried on were done by mortgage originators, real estate agents and developers as well.
- Yield spread premiums are not just compensation to me as a broker, I have to hire my staff to whom I pay salaries, taxes and health insurance to process a loan file

which in some cases may take months at times to help borrowers clean up erroneous information in their credit files in order to make sure that they get a good loan. I pay overhead and taxes for my place of business to operate.

- I have been involved in pricing at the bank level, and I can assure you that there are times when as a broker, I am able to offer better pricing to my clients than they receive from the bank. Today, brokers who follow the law already disclose far more to the customer in term of compensation than loan officers do. Therefore, what is necessary is that the standards and education level should be raised for persons giving guidance to consumers.
- It is impossible to provide a precise dollar estimate of fees a broker will charge in a transaction even before an application is submitted because the broker does not yet know the prospective borrower's financial status, transaction details, type of product sought, or amount of loan, all of which may vary as the transaction progresses.
- By asking us to inform customers of their cost before we even take an application is inherently unfair and anti-competitive if loan officers and mortgage originators do not have to do likewise. This is setting up a two tier standard in the industry and will allow lenders to steer consumers away from brokers, even if brokers offer more favorable loans.
- In addition an originator or broker cannot guarantee that a mortgagor can pay their loans for seven years as I have seen over the years where clients who have had employment for several years suddenly lose their jobs due to layoff or illness or as in the current situation of firms going out of business.
- Please consider alternatives to the proposed regulation which would protect consumers in their dealings with all mortgage originators, and encourage competition on price and service.
- If the Fed really wants to have an impact on the industry and assist consumers, they should look at the following:
 - 1) Raising the standards which are set for entry into the industry as I believe the standards are too low. A twenty four hour weekend course is not enough training for someone who is going to assist a client with their biggest asset. I remember asking a representative of a major lender what was their index and their margin to complete a file and I was told to call their main office as I was the first person to ask for that information. This is the fault of the lender who did not train their representative who is training the brokers.

- 2) The issue of realtors who act as brokers do not always act in the best interest of the client, all they care about is getting that transaction closed so that they can earn the dual compensation. Most real estate firms created their own mortgage companies during the boom years and their primary interest was in closing those sales.
 - 3) The issue of developers who steer clients into their own mortgage companies and create terms in the contract that the clients are unable to get out of even when they do not qualify and tell them that the loans must be done by their lenders. The customer is then at the mercy of the developer and the lender and the loans are always priced higher with a lot more funds at the closing table.
 - 4) Deceptive advertising was rampantly and blatantly used during the boom to customers and no regulator addressed any of these issues. There was hardly a day when one's mail box was not filled with all kinds of offers which did not make any sense.
- I want to thank Board of Governors of the Federal Reserve for considering my comments.